

**MINUTES**  
**August 1, 2002**

**Seattle City Employees' Retirement System**  
**Regular Board Meeting**

**Thursday, August 1, 2002 - 9:30 a.m.**  
**Seattle Metropolitan Credit Union**  
**Conference Room – 3<sup>rd</sup> Floor**

**Present:** Jan Drago, Dwight Dively, Norma McKinney, Lou Walter, John Curtin, Mary Norris and Frank Mathews.

**Absent:** None.

**Also Present:** Ken Leask – ARSCE, Eddie Haw – ARSCE, Russ Teller – ARSCE, Walt North – ARSCE, Kirk Jones – ARSCE, Bill Farrell – ARSCE, Barbara Guptill – ARSCE, Roger Howeler – ARSCE, Jesse Tapp – ARSCE, Ruth Riddle – State Auditor's Office, Laurie Tish and Matt Hayes – Deloitte & Touche, Maureen Madion – Law, Margaret Gordon – ARSCE, Harry Gordon – ARSCE/Local 77, Sharon Webb, Mel Robertson and Norm Ruggles.

**Public Comment:** Eddie Haw introduced Harry and Margaret Gordon, and their daughter Sharon Webb, and told the Board that Harry was the one that had gathered information from all the pension systems on the West Coast about their respective COLA provisions. Kirk Jones referred to the materials passed out by the Palestine Solidarity Committee at the last Board meeting, and spoke to their concern about public funds being used support Israeli injustices. He commented that the funds of the Retirement System are funds held in trust for the benefit of members and their beneficiaries, are not held for the benefit of the public, and are no different than retirement funds of private companies that are held in trust.

**Presentation by Deloitte & Touche of 2001 Year End Audit Results.**

Laurie Tish and Matt Hayes from Deloitte & Touche presented the results of their review of the 2001 Financial Statements. They described the processes and scope of the review and stated that there were no audit adjustments made or required and that there were no reportable conditions. Laurie said they found no material flaws in Retirement System operations. Matt presented two recommendations, including: recording investment activity using trade date rather than settlement date, and automating contribution data feeds from King County, or accruing contribution activity at year end, for transactions relating to System members who work for METRO or King County (*former City employees whose City departments were merged with the County*). Laurie then reviewed the financial statements and the notes to the financial statements and described the procedures undertaken to verify and confirm each item on the financial statements.

Norm thanked Laurie and Matt and their staff for their work on the 2001 review. He also thanked Mel for the effort made to produce the financial statements and the annual report. Ruth Riddle of the State Auditor's Office stated that the relationship with Deloitte works well and that duplication of efforts has been minimized. Ruth also stated that her office reviews the work papers prepared by Deloitte as part of her overall responsibility for the City financial statements. Jan thanked Norm and Mel for the timely preparation of the annual report and suggested a news release be prepared announcing the clean review of the financial statements.

Norm told the Board that the recommendations made by Deloitte will be implemented this year.

**Minutes:**

Upon motion by Jan Drago, seconded by Lou Walter, the Retirement Board approved the minutes from the July 11, 2002 Retirement Board meeting. John Curtin abstained.

## Ratification of Retired Payroll, Office Payroll, other Billings and Withdrawals:

**Information:** The following items represent normal expenses and nothing extraordinary.

Service	\$ 4,690,959.52
Disability	54,499.70
Beneficiary	587,058.10

**Pension Payroll – July 2002** \$ 5,332,517.32

**Office Payroll** - pay period ending July 2, 2002 \$ 21,462.84

**Office Payroll** - pay period ending July 16, 2002 \$ 21,377.25

**Vouchers Processed** - from July 2, 2002 through July 26, 2002 \$ 358,864.47 \*

\* \$ 340,320.47 Expert and Consultant Services

Upon motion by Dwight Dively, seconded by Lou Walter, the Board ratified the Retired Payroll, Office Payroll, other Billings and Withdrawals.

## Immediate Withdrawal of Contributions

<b>Member</b>	<b><u>Department</u></b>	<b><u>Position</u></b>
Boyland, Sherry M	SEATRAN	Admin Spec III
Brenengen, Christopher A	Arts Comm	Accounting Tech III
Davenport, Darren R	Seattle Center	Laborer
Erland, Heidi Marie	TES	Admin Spec II
Forsythe III, Elizabeth A	SPU	Personnel Specialist
Gilmore, Michael D.	LIGHT	Systems Analyst
Harrison, Sybil A	Library	Branch Manager II
Johnson, Patricia Ann	SEATRAN	Truck Driver
Mabbott, Mary Cass	Library	Branch Manager I
Miller, Jay S	ESD	Animal Control Officer II
Pressley, Arthur	Police	School Crossing Guard
Sorenson, Reid Scott	Seattle Center	Bldg Operating Eng II
Trautman, John R	Light	IT Professional
Wells Jr, David C	Seattle Center	Bldg Operating Eng
Witham, Jeffery P	Light	Electrician
Wojtanowicz, Garth Daniel	Law	City Attorney Asst
Yadon, Tyree A	Library	Security Officer

## Ratification of Service Retirements:

**Information:** The following list represents the retirements that have been processed since the last Retirement Board meeting.

<b><u>Member</u></b>	<b><u>Retired</u></b>	<b><u>Years</u></b>	<b><u>Days</u></b>	<b><u>Department</u></b>	<b><u>Position</u></b>	<b><u>Age</u></b>	<b><u>Option</u></b>
Alcantara, Larry	06/28/2002	23	305	Dual Member	Vested	54	S,F,G-100
Burnstin, E. Joseph	06/06/2002	12	304	Dual Member	Vested	60	D
Cameron, James B.	07/01/2002	31	72	City Light	Janitor	56	A
Chakoian, Martin H.	07/06/2002	30	175	DoIT	Chief Technology Officer	54	S
Crossman, Elsie G.	06/15/2002	23	120	SPU	Strategic Advisor 3	62	E
Dale, Elton M.	07/03/2002	38	49	SPU	Waterworks Maintenance	64	D
Fadden, Kathryn	06/05/2002	10	16	Muni Courts	Volunteer Coordinator	59	A
Geoffroy, Joyce	07/06/2002	27	308	City Light	IT Professional	53	D
Howerton, Ronald	06/01/2002	0	242	Dual Member	Vested	52	E,G-100
Hughbanks, C. David	07/03/2002	13	205	Parks	Executive Director	66	S
Ika, Siona Fua	07/03/2002	5	364	Law	Admin Support Specialist	63	C5,G-100

Oberlay, Bettye J.	07/02/2002	16	148	City Light	Accounting Technician II	64	S
Perkins, James I.	06/19/2002	32	99	City Light	Cablesplicer	51	C10
Rees, Theodore L.	06/11/2002	32	133	SEATRAN	Civil Engineer	60	D
Ripke, William P.	07/03/2002	34	55	City Light	Jrnywkr Asg Streetlight	57	C10
Scott, Peggy A.	05/31/2002	16	151	Finance	Admin Spec II	62	C5
Smith, Carol A.	07/02/2002	15	226	City Light	IT Systems Analyst	58	C10
Willhelm, Gerald E.	06/15/2002	31	333	SEATRAN	Director of Traffic	56	S,G-50

Upon motion by Lou Walter, seconded by Dwight Dively, the Retirement Board approved the service retirements listed above, pending final review.

### **Ratification of Investment Transactions and Statement of Securities and Cash:**

Upon motion by Frank Mathews, seconded by Lou Walter, the Retirement Board approved the Investment Summary report.

Norm explained that although the year to date performance of the System is disappointing, it has performed significantly better than the Dow Jones, NASDAQ and S&P 500 indexes, due to our diversification.

### **Investment Committee Report:**

It was announced that the Investment Committee is scheduled to meet at noon on Thursday, August 29, 2002 with the Investment Advisory Committee and our performance measurement consultant, Wurts and Associates, to review the investment performance for the second quarter of 2002.

Norm informed the Board that on July 25, 2002, the Investment Committee interviewed four firms and the recommendation of the Committee is to place \$10 million with TA Associates to invest in a real estate fund they are raising; liquidate the account managed by Frank Russell Company; and withdraw funds as needed, to fund TA Associates, from Kennedy MEPT real estate fund. Norm briefly described TA Associates and their investment strategy and experience.

Upon motion by Frank Mathews, seconded by Lou Walter, the Retirement Board approved the Investment Committee recommendation for the hiring and funding of TA Associates.

### **Executive Director Report:**

The following summarizes the Executive Director's monthly report to the Board:

Norm briefly described the City's Separation Incentive Program (SIP) and its effect on the Retirement Office. Staff is extremely busy dealing with the retirement aspects of the program. He thanked Norma for loaning Lenece Jones to the Retirement Office to help respond to the many requests for retirement estimate calculations and he also complimented Retirement Office staff member Jeannette Ocampo for showing exemplary leadership. Norm said that despite the large number of anticipated retirements in the next few weeks, staff plans to continue to give personal interviews to all retiring employees, but the retirement benefit amounts given at separation may just be estimates that will be made accurate later, due to the short time frame of the separation program and large number of participants. Lou requested that the cost to the System relating to the service credit purchase provision of the SIP be calculated once the program is over. Mel commented that staff will be verifying that the amount paid for service credit purchase is not more than the actuarial cost.

Norm presented a draft Board Education and Training Policy and briefly reviewed the type and amount of expenses allowed. Jan commented that the expenses should be the same as what the City normally allows and that the \$3,000 expense level per Board member, per year seems reasonable. Dwight said the responsibility for

selecting appropriate training opportunities should be with the individual Board member and suggested including opportunities in Canada since GFOA and NCPERS have Canadian members and conferences may be held there. Norm stated that he will make this change as well as including a statement that these expenses are what the City would normally pay for.

Upon motion by Dwight Dively, seconded by Lou Walter, the Retirement Board approved the Education and Training Policy as amended.

Norm then informed the Board that he is awaiting legal advice to answer the question regarding whether the new COLA benefits can ever be rescinded once implemented.

## **Old Business:**

### **(1) Status of Benefit Enhancements**

Norm informed the Board that the estimated current funding level of the Retirement Fund is 81.05% as of June 30, 2002.

Norm distributed draft legislation for possible doubling of the 13<sup>th</sup> check. He reviewed the language of the legislation, explaining that the doubling would occur on a one-time basis and would be factored into determination of the 60% floor COLA. He stated that according to the actuary the cost would be approximately \$3.5 million. This cost would reduce the funding level by 0.2% and increase the unfunded amortization period to 35 years from 34 years.

The Board discussed the proposal extensively. Board members expressed their desire to assist retirees, but there was not a consensus to support the legislation because it was felt that increasing benefits at this time would not be prudent and would be contrary to the Board's fiduciary duties, given the current underfunded status of the Retirement Fund and uncertainty in the economy and financial markets.

## **Adjournment**

Upon motion by Dwight Dively, seconded by John Curtin, the Retirement Board voted to adjourn the meeting at 11:21 a.m.

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Norma McKinney, Secretary